

Roger C. Avery, President & CEO
618-395-8588

a) Company description, including:

1) A corporate history including dates of incorporation and subsequent acquisitions and mergers;

Illinois Gas was incorporated as an Illinois Corporation on August 12, 1916.

In 1936, the Company was purchased by the A. S. Dewing family, and that ownership has continued uninterrupted through Dr. Dewing's descendants to this day.

In 1940, the initial purchase of pipeline gas from Kentucky Natural Gas Company, which was the predecessor of Texas Gas Transmission Corporation, was the sole transport service available to Illinois Gas.

As of January 1, 1959, Eastern Illinois Gas & Securities Company became the operator of the Richland County, IL portion of the Company under reorganization.

January 1, 1980, brought the merger of Illinois Gas and Eastern Illinois Gas & Securities, with Illinois Gas as the successor.

January 3, 2000, Illinois Gas Company purchased assets from JHE Engineering, which had formally been known as Utility Safety and Design, Inc, and formed a wholly owned subsidiary named Utility Safety and Design, Inc.

August 31, 2000, Illinois Gas Company purchased Utility Sales and Service Inc from the Avery Dewing Corporation and formed a wholly owned subsidiary with the same name.

May 4, 2001 Illinois Gas Company purchased the assets of West Central Energy, Inc, which was then dissolved. Their wholly owned subsidiary, Utility Safety and Design, Inc, then formed its own wholly owned subsidiary known as West Central Energy, Inc. In July 2002, Utility Safety and Design, Inc consolidated their operations and dissolved the West Central Energy, Inc corporation.

January 3, 2003 Illinois Gas Company's wholly owned subsidiary, Utility Safety and Design, Inc, purchased the assets of the northern Missouri operations of Utility Consultants, Inc.

Roger C. Avery, President & CEO
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a) Company description, including:

2) An organizational chart depicting inter-company relationships; and

Illinois Gas has no inter-company relationships as it only exists as a Natural Gas Distribution company.

We do, however, have the following affiliated interests:

Utility Safety and Design, Inc is a wholly owned subsidiary of Illinois Gas Company. It is a professional engineering and consulting firm. The Service and Facilities Agreement was approved in ICC Docket 01-0584.

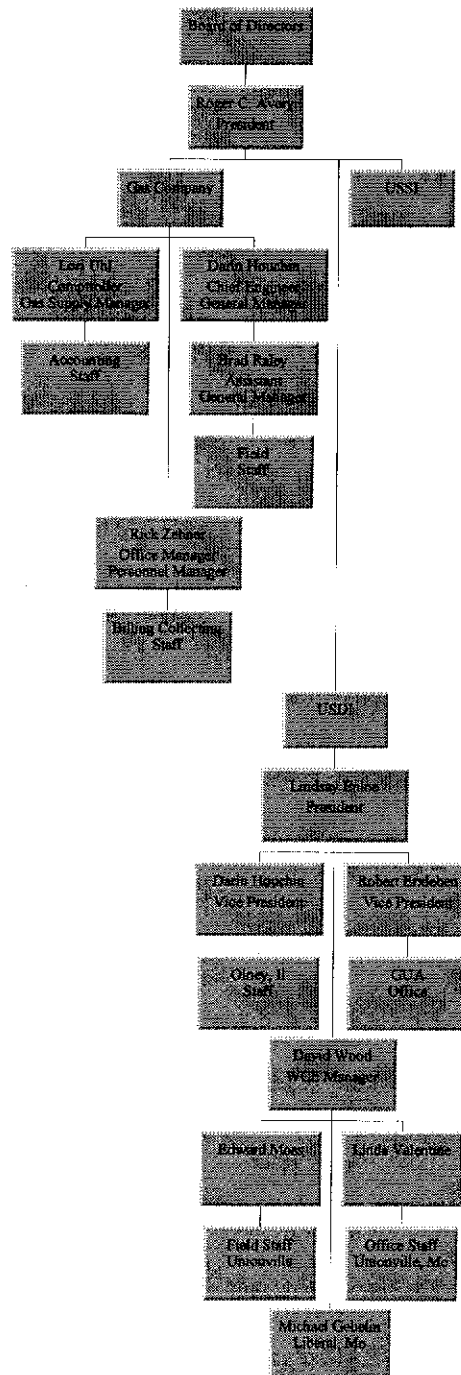
Utility Sales and Service, Inc is a wholly owned subsidiary of Illinois Gas Company. It is a sales representative for Kerotest Manufacturing Corp. The Service and Facilities Agreement was approved in ICC Docket 01-0584.

Illinois Real Estate Company (successor to Utilities Real Company) for lease of offices, approved in ICC Docket 03-0192;

Granite State Gas and Electric Company maintains our Stock Ledger and Minute Book, and furnishes office space and ancillary services for our Officers and Directors in the Boston, MA area. For this, they are paid \$600 per month. Although we do not know if this has ever been formally approved in a docketed proceeding, this same amount has been approved in our last rate case, ICC Docket 98-0298, and the preceding rate case, ICC Docket 87-0373.

A chart describing these relationships is attached.

Organizational Chart Illinois Gas Company 6/01/04



ILLINOIS GAS COMPANY

**ICC DOCKET 04-xxxx
Section 285.305**

Darin L. Houchin, General Manager
618-395-8588

a) Company description, including:

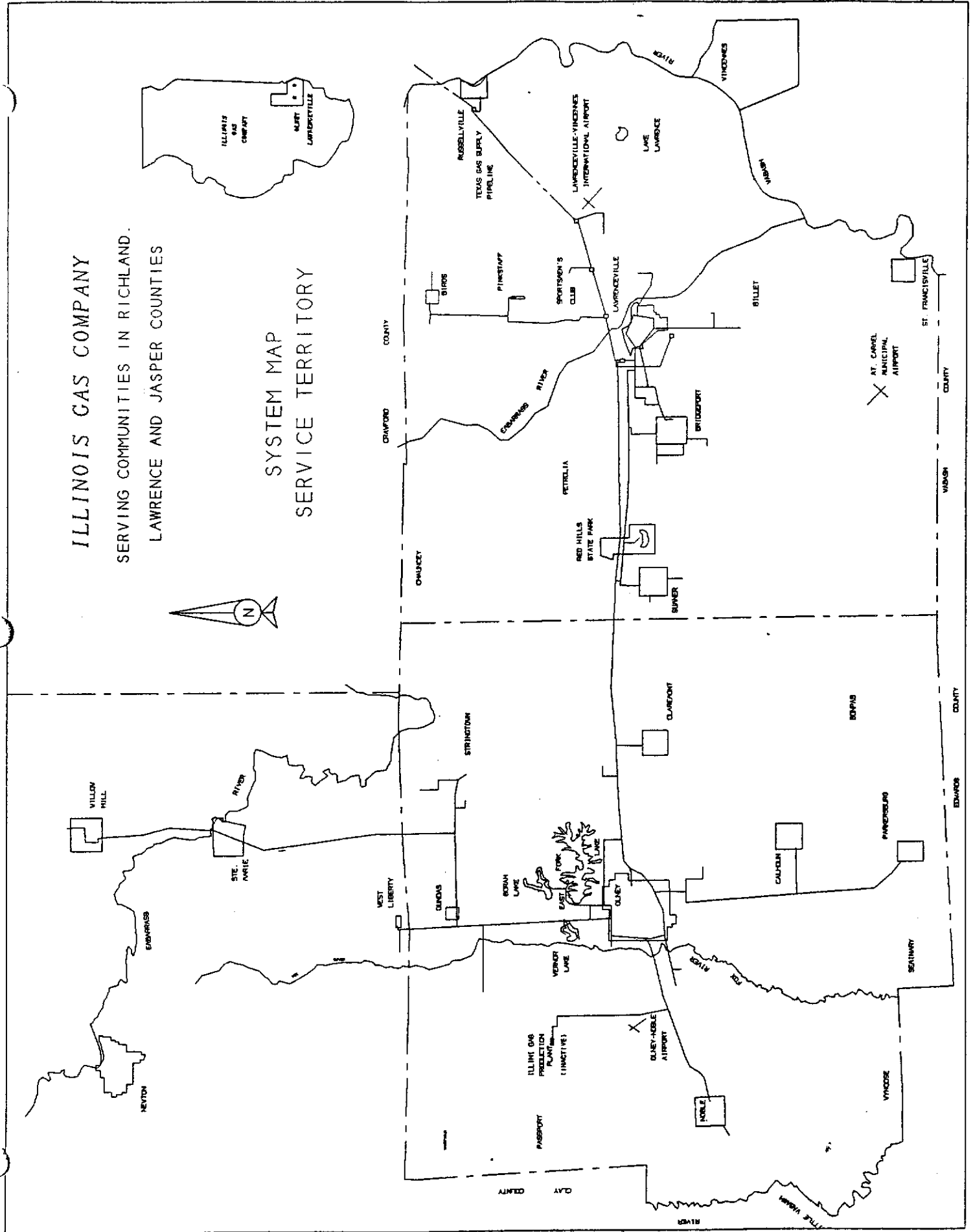
- 3) A system map indicating all cities, counties, and any other government subdivision to which service is provided.**

Attached is a map of the Illinois Gas distribution system showing all cities, towns and villages served in Lawrence, Richland and Jasper counties in Illinois.

ILLINOIS GAS COMPANY

SERVING COMMUNITIES IN RICHLAND,
LAWRENCE AND JASPER COUNTIES

SYSTEM MAP
SERVICE TERRITORY



ILLINOIS GAS COMPANY

**ICC DOCKET 04-xxxx
Section 285.305**

Lori A. Uhl, Assistant Treasurer & Comptroller
618-395-8588

- b) Docket number for the most recent rate order from each regulatory entity, other than this Commission, having jurisdiction over the utility, for each type of regulated service offered by the utility.**

Attached is a copy of the Commission's Order in Docket 98-0298.

STATE OF ILLINOIS



REC

1998

ILLINOIS COMMERCE COMMISSION

September 11, 1998

Re: 98-0298

Dear Sir/Madam:

Enclosed is a certified copy of the Order entered by this Commission.

Sincerely,


Donna M. Caton
Chief Clerk

Enc.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Gas Company	:	
	:	
Proposed general increase in gas rates.	:	98-0298
	:	

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On November 19, 1997, Illinois Gas Company ("Illinois Gas" or "Company" or "Respondent") filed a petition requesting a waiver of the standard filing requirements of 83 Ill. Adm. Code 285. The Illinois Commerce Commission ("Commission") assigned this filing Docket No. 97-0598. Illinois Gas sought authority to use, in substitution, Staff's proposed revision of 83 Ill. Adm. Code 285, proposed Part 286 and proposed Part 287. On December 17, 1997, the Commission entered an Order granting Respondent a waiver of the requirements of 83 Ill. Adm. Code 285, Standard Filing Requirements, pursuant to 83 Ill. Adm. Code 285.140 and, further ordering the Company to use, in lieu of Part 285, Staff's proposed revision of 83 Ill. Adm. Code 285, proposed Part 286 and proposed Part 287.

On March 31, 1998, Illinois Gas filed with the Commission its Ill.C.C. No. 13 1st Revised Title Sheet, 12th Revised Sheet No. 1, 3rd Revised Sheet No. 1.1, 11th Revised Sheet No. 2, 5th Revised Sheet No. 3, Original Sheet No. 3.1, Original Sheet No. 3.2, Original Sheet No. 3.3, 13th Revised Sheet No. 4, 4th Revised Sheet No. 5, 6th Revised Sheet No. 6, 5th Revised Sheet No. 6.1, 6th Revised Sheet No. 7, Original Sheet No. 7.1 and 1st Revised Sheet No. 8; and Ill.C.C. No. 14, 1st Revised Title Sheet, 1st Revised Sheet No. 1, 3rd Revised Sheet No. 2, 4th Revised Sheet No. 3, 6th Revised Sheet No. 4, 3rd Revised Sheet No. 4.1, 2nd Revised Sheet No. 4.2, 1st Revised Sheet No. 4.5, Original Sheet No. 4.5.1, 2nd Revised Sheet No. 4.6, 2nd Revised Sheet No. 4.7, 3rd Revised Sheet No. 4.8, 9th Revised Sheet No. 8, 2nd Revised Sheet No. 8.1, 1st Revised Sheet No. 10, 1st Revised Sheet No. 11, and 5th Revised Sheet No. 12 ("Proposed Tariffs"), by which it proposed a general increase in gas rates effective June 1, 1998. The Commission assigned this filing Docket No. 98-0298.

Notice of the Company's filing was published in newspapers of general circulation throughout the Company's service area and posted in conspicuous places in the Company's business offices. The proposed rate schedules were maintained and available for public inspection in the Company's business offices in accordance with

the requirements of Section 9-201(a) of the Public Utilities Act ("Act") (220 ILCS 5/9-201(a)) and the provisions of 83 Ill. Adm. Code 255.

On April 22, 1998, the Commission entered an Order in the above docket suspending the Proposed Tariffs to and including September 13, 1998.

Pursuant to due notice, a prehearing conference was held on May 21, 1998 before duly authorized Hearing Examiners of the Commission at its offices in Springfield, Illinois. Thereafter, a hearing was held in this matter on August 17, 1998. Appearances were entered by counsel on behalf of the Company and Commission Staff ("Staff"). No petitions to intervene were filed in this proceeding.

At the hearing on August 17, 1998, three witnesses on behalf of Illinois Gas and five witnesses on behalf of Staff presented testimony and exhibits. Staff and the Company, being the only parties to this docket, advised the Hearing Examiners they had come to an agreement as to all issues of revenue requirements, rate design and rates. A copy of a Stipulation, signed by both parties and containing the agreement of the parties, was admitted into evidence as Illinois Gas/Staff Joint Exhibit A. The parties agreed to waive all cross examination. At the conclusion of the hearing on August 17, 1998, the record was marked "Heard and Taken."

The parties presented a joint proposed draft order, which was admitted into evidence as Illinois Gas/Staff Joint Exhibit 1.

The record contains an analysis of the Respondent's operations for the pro forma historical 1996 Test Year, with projected adjustments made, including Respondent's operating revenues and expenses, the original cost and accumulated depreciation of the Company's property, and the cost of capital and other matters relating to the appropriate rate of return and revenue requirements for Illinois Gas. Attached to the Stipulation, and incorporated by reference therein, are six schedules setting forth operating income and rate base for the historical Test Year ended December 31, 1996 (hereinafter "Test Year"); the capital structure and cost of capital calculations; rates for the Company's operations; a gas transportation tariff; and certain rules, regulations and conditions of service.

II. SERVICE AREA AND NATURE OF ILLINOIS GAS COMPANY'S OPERATIONS

Illinois Gas is an Illinois corporation with principal offices at Lawrenceville and Olney, Illinois, in Lawrence and Richland Counties, respectively. The Company provides natural gas service to approximately 10,300 customers, primarily residential and commercial but, in addition, has six industrial interruptible customers. The Company provides gas service to the following communities in Illinois: Lawrenceville, Bridgeport, Sumner, Pinkstaff, Birds, and Russellville in Lawrence County, Sainte Marie, West Liberty, and Willow Hill in Jasper County and Olney, Noble, Parkersburg, Calhoun, Dundas, and Claremont in Richland County. Illinois Gas' operations are supplied by one interstate pipeline: Texas Gas Transmission Company.

III. PROPOSED INCREASE; TEST YEAR

In its direct testimony and exhibits, Illinois Gas requested an increase in annual revenues recovered through gas base rates of \$684,047. This represents an increase in gas revenues of approximately 7.2%. Illinois Gas filed its last rate case on July 2, 1987, and the Commission Order in that case was entered in Docket No. 87-0373 on May 25, 1988.

The Company's rate increase request is based on a pro forma historic Test Year which ended December 31, 1996, with adjustments for purported known and measurable charges. Staff did not object to the use of this pro forma historical Test Year.

The Commission concludes that the Test Year consisting of the 12 months ending December 31, 1996, with pro forma adjustments calculated in a manner consistent with the criteria set forth in Section 285.150 of Staff's proposed revision of 83 Ill. Adm. Code 285, is appropriate for the purposes of this proceeding.

IV. ORIGINAL COST RATE BASE

Respondent's proposed rate base was addressed in the Company's filing and in the testimony and exhibits presented by Staff witnesses Karen Goldberger and Scott Struck of the Accounting Department of the Financial Analysis Division. (Staff Exhibits 1 and 2) The rate base proposed by Illinois Gas is based on balances and costs for the 12 months ending December 31, 1996, with certain pro forma adjustments. The adjusted original cost rate base proposed by Illinois Gas, as shown in Illinois Gas Exhibit PGN 08, is as follows:

Utility Plant in Service	\$12,755,015
Less: accumulated depreciation	(5,513,094)
Net Plant in Service	7,241,921
M/S Inventories	138,401
Accumulated deferred tax - current	15,073
Deferred rate case expense	17,500
Deferred pension contributions	31,952
Working capital	224,412
Customer advances	(3,103)
Deferred taxes	(816,545)
 TOTAL RATE BASE	 \$ 6,849,611

During the course of the proceedings, Staff proposed various adjustments to rate base, which were accepted by Company as set forth in the Stipulation on Schedule 1A. Amounts shown below in parentheses represent reductions to rate base. Adjustments were made to Plant in Service, (\$394,749), depreciation reserve, \$155,769, M/S

Inventories, (\$3,324), deferred taxes - current, \$850, deferred rate case expense, (\$17,500), working capital, (\$7,621), accumulated deferred income taxes, (\$70,474) and customer deposits, (\$22,101). The net effect is a \$359,150 decrease in Respondent's pro forma rate base. The Commission finds that the adjustments to rate base as stipulated to by the parties are supported by the evidence, are reasonable, and should be adopted. Upon giving effect to the adjustments to rate base approved hereinabove, the Commission concludes that Illinois Gas' original cost rate base for the Test Year is \$6,490,461. The rate base may be summarized as follows:

Utility Plant in Service	\$12,360,266
Less: accumulated depreciation	(5,357,325)
Net Plant in Service	7,002,941
Add: materials and supplies	135,077
Deferred taxes - current	15,923
Deferred pension	31,952
Working capital	216,791
Less: customer advances	(3,103)
Accumulated deferred income taxes	(887,019)
Customer deposits	(22,101)
TOTAL RATE BASE	<u>\$ 6,490,461</u>

V. OPERATING REVENUES, EXPENSES AND INCOME

Illinois Gas operating revenues and expenses for the Test Year were addressed in the Company's filing and in the testimony and exhibits presented by Staff witness Karen Goldberger. The Test Year Operating Income Statement proposed by Respondent was for the 12 months ending December 31, 1996 with adjustments for purported known and measurable changes. Respondent's filing reflects its proposed rate base increase of \$922,914 and a rate of return on rate base of 10.02%. The operating revenues, operating expenses, and operating income proposed by Illinois Gas, as shown in Illinois Gas Schedule C-1 Revised, are as follows:

Revenue before rate increase	\$8,866,028
Revenue increase	<u>684,047</u>
TOTAL OPERATING REVENUES:	9,550,075
OPERATING EXPENSES:	
Uncollectible accounts	57,118
Cost of gas	5,987,947
Distribution expense	342,464
Maintenance expense	339,879
Customer accounts expense	309,847
Sales expense	6,315

Administrative/general expense	628,206
Depreciation & Amortization	439,219
Taxes other than income	524,149
Income taxes	228,745
Amortization - debt expense	<u>456</u>
 TOTAL OPERATING EXPENSES:	 \$8,864,332
 NET OPERATING INCOME:	 <u>\$ 605,743</u>

During the course of the proceedings, Staff proposed various adjustments to Illinois Gas' operating revenues, expenses, and income. The Company accepted these adjustments for purposes of this docket as set out in the Stipulation on Schedule 1.

Adjustments (Staff Exhibit 1.0 Schedule 1.2) were made to reduce rate case expense (\$4,770), advertising expense (\$1,845), postage expense (\$1,453), amortized debt expense (\$456), depreciation expense (\$17,891), and incentive compensation plan expense (\$11,871) and to increase customer deposits interest expense \$1,550, state income tax \$3,333 and federal income tax \$14,672 for a net reduction in total operating expenses of (\$18,731).

Based on all of the evidence of record in this proceeding, the Commission finds that the adjustments to the Operating Income Statement as stipulated to by the parties are reasonable and should be adopted for rate making purposes in this proceeding. Upon giving effect to these adjustments and the rate of return on original cost rate base of 9.63% hereafter allowed in this Order, the Commission concludes that for purposes of this proceeding, Illinois Gas' Operating Income Statement for the Test Year ended December 31, 1996, at approved rates, is as follows:

OPERATING REVENUE	\$9,015,761
 OPERATING EXPENSES:	
Uncollectible accounts	44,394
Cost of gas	5,987,947
Distribution expense	342,464
Maintenance expense	339,879
Customer accounts expense	320,830
Sales expense	6,315
Administrative/general expense	609,642
Depreciation and amortization	421,328
Taxes other than income taxes	121,397
Income taxes	<u>196,534</u>
 NET OPERATING INCOME:	 <u>\$ 625,031</u>

The Operating Income Statement hereinabove reflects a rate increase of \$552,485 or 6.53% and a rate of return on original cost rate base of 9.63% which is granted in this Order.

VI. CAPITAL STRUCTURE, COST OF CAPITAL, AND RATE OF RETURN

A. Introduction

Illinois Gas' capital structure, cost of capital, and rate of return were addressed in the Company's filing. Evidence on behalf of Staff relating to the cost of capital and capital structure was sponsored by Staff witness Robert Plaza, a Financial Analyst in the Finance Department of the Commission's Financial Analysis Division.

B. Capital Structure

For purposes of this proceeding, Illinois Gas proposed the use of the capital structure in place as of December 31, 1996. The capital structure presented by Illinois Gas in its Schedule D-1 may be summarized as follows:

<u>COMPONENT</u>	<u>AMOUNT</u>	<u>RATIO</u>
Short term debt	\$1,338,919	23.08%
Long term debt	1,665,820	28.72%
Common equity	<u>2,795,351</u>	<u>48.20%</u>
TOTAL:	\$5,800,090	100.00%

Staff witness Plaza recommended adopting Illinois Gas (December 31, 1997) capital structure in Staff Exhibit 4, Schedule 4.2, which may be summarized as follows:

<u>COMPONENT</u>	<u>AMOUNT</u>	<u>RATIO</u>
Short term debt	\$1,245,372	21.92%
Long term debt	1,760,283	30.99%
Common equity	<u>2,675,381</u>	<u>47.09%</u>
TOTAL:	\$5,681,036	100.00%

The Company accepted Staff's proposed capital structure for the purposes of this docket.

C. Costs of Long-Term and Short-Term Debt

Staff witness Plaza determined Illinois Gas' embedded cost of long-term debt to be 8.28% (Staff Exhibit 4, Schedule 4.4). The Company accepted Staff's calculations and results for the purposes of this docket as set forth in Schedule 2 of the Stipulation. Based on the evidence, the Commission determines that Illinois Gas' embedded cost of long-term debt for purposes of this proceeding is 8.28%.

The Company and Staff agreed that the cost of the Company's short-term debt is 8.50%, which was the prime rate at the time that Staff filed its testimony.

The Commission is of the opinion that the capital structure amounts and ratios, and cost rates for long-term debt and short-term debt as determined by Staff, are reasonable and should be used for the purposes of this proceeding. Consistent with this conclusion, the capital structure that should be used for rate making purposes and establishing the fair rate of return in this proceeding is as follows:

<u>COMPONENT</u>	<u>AMOUNT</u>	<u>RATIO</u>	<u>COST</u>
Short-term debt	\$1,245,372	21.92%	8.50%
Long-term debt	1,760,283	30.99%	8.28%
Common equity	<u>2,675,381</u>	<u>47.09%</u>	
TOTAL:	\$5,681,036	100.00%	

D. Cost of Common Equity

In its filing, Illinois Gas proposed a cost of common equity of 11.8%. Staff witness Plaza performed an analysis of the Company's cost of common equity. Since Illinois Gas' common stock is not market-traded, Mr. Plaza applied the quarterly version of the discounted cash flow model ("DCF"), which is a method of equating future cash flows to their present values by a means of a quarterly discount rate, to a sample of eight public utility companies deemed comparable in risk to Illinois Gas. In performing his DCF analysis, Mr. Plaza used the most current stock price and forward-looking growth rates for each firm which were available at the date he prepared his testimony. Using the DCF analysis, Mr. Plaza determined that the comparable sample cost of common equity ranged from 9.47% to 9.79%. Mr. Plaza also performed a risk premium analysis applying the capital asset pricing model ("CAPM"). For his CAPM analysis, Mr. Plaza used the risk-free rate of return implied by the prices of U.S. Treasury bill futures contracts, which are a better current proxy for the risk free rate than U.S. Treasury bond futures contracts. Using the risk premium analysis, he determined that the cost of common equity for the comparable sample was 10.73%.

In addition to his DCF and CAPM results, Mr. Plaza added a 90 basis point liquidity premium to reflect the consequences of an investor's inability to sell an asset at a desired time and at a predictable price. This adjustment was necessary because, unlike the firms that comprised Mr. Plaza's public utility sample, the securities of Illinois Gas are not publicly traded. Mr. Plaza estimated the 90 basis point liquidity premium by comparing the yield on the Company's debt to the yield on BBB-rated utility debt during the week of May 30, 1997.

Based on his entire analysis, Mr. Plaza estimated that a reasonable cost of common equity for Illinois Gas Company ranges from 10.50% to 11.60% with a midpoint estimate of 11.05%.

E. Conclusion on Rate of Return

The parties stipulated to Staff witness Plaza's recommended midpoint rate of return on common equity for the purpose of setting rates.

Based on the evidence presented, the Commission finds that Illinois Gas' cost of equity capital is 11.05% and its overall cost of capital is 9.63% as proposed in Staff's exhibits. The capital structure and cost rates presented by Staff are reasonable and may be summarized as follows:

OVERALL COST OF CAPITAL

<u>COMPONENT</u>	<u>RATIO</u>	<u>COST</u>	<u>WEIGHTED COST</u>
Short term debt	21.92%	8.50%	1.86%
Long term debt	30.99%	8.28%	2.57%
Common equity	<u>47.09%</u>	<u>11.05%</u>	<u>5.20%</u>
TOTAL:	100.00%		9.63%

VII. EMBEDDED COST OF SERVICE STUDIES

Illinois Gas submitted an embedded Cost of Service Study ("COSS") utilizing GasWorks 1.0, which is a COSS program designed by the Commission Staff. The Company's costs for the test period were placed into their respective functional groups and allocated based on allocation factors provided in the spread sheet. Staff suggested the development of two new allocation factors, average and peak coincident peak ("APCP") and average and peak non-coincident peak ("APNCP"), which are average and peak allocators used to allocate cost based on coincident and non-coincident peaks. The Company, by use of its COSS, classified costs for its proposed six rate classes: (a) Rate 1, Residential; (b) Rate 2, Small General Use; (c) Rate 3, Medium General Use; (d) Rate 4, Large General Use; (e) Rate 5, Seasonal; and (f) Rate 6, Interruptible Service.

Staff witness William G. Saxe, a Senior Analyst in the Rates Department of the Financial Analysis Division of the Commission, generally agreed with the Company's COSS but recommended an adjustment so that the gas rate base and operating expenses under present revenues are based on the actual rate of returns that result from the current class rates. For purposes of this proceeding, Illinois Gas accepted the COSS recommendations of Staff.

The Commission concludes that Staff's COSS should be used in determining rates in this proceeding.

VIII. INTERCLASS REVENUE ALLOCATION

Illinois Gas in its filing and Staff, through Staff witness Saxe, each presented a separate proposal for allocating revenue among gas service rate classes. Illinois Gas proposed that the bulk of the revenue increase should be distributed to the residential rate. Staff's proposed allocation was based on cost of service principles, as well as the avoidance of undue impacts on individual rate classes. Staff witness Saxe proposed eliminating cross-subsidization by allocating proposed revenues to rate classes based on that class' cost responsibility. Illinois Gas agreed with the use of Staff's allocation proposal in this proceeding.

The Commission concludes that Staff's allocation proposal, which eliminates cross-subsidization between rates classes, should be used in determining rates in this proceeding.

IX. GAS RATE DESIGN

A. Introduction

Illinois Gas proposed changes to the tariff language and charges of its service classifications. The adjustments to each service classification's facilities charge and commodity charge (also referred to as a distribution charge) are based on its COSS, interclass revenue allocation ("IRA"), and revenue requirement proposals. The Company has proposed that most of the rate increase be applied to the facilities charges. In addition, Illinois Gas proposed a modification to its Rider A, General Interruptible Transportation Service, tariff.

Staff agreed with the non-charge related changes to Illinois Gas' service classifications. With regards to the facilities and commodity charges, Staff witness Saxe stated that the differences between his proposed charges and the Company's are mostly due to the differences in the COSS, IRA, and revenue requirement used by both parties in determining rates. He also stated that he agrees with the Company's decision to reflect a majority of the proposed rate increase in each service classification's facilities charge since the current facilities charges significantly under-recover the customer costs incurred to serve the different groups of customers.

B. Residential Gas Service

Illinois Gas proposed increases in both the facilities charge and the commodity charge. It proposed a facilities charge increase of \$3.05 per month, from \$6.50 per month to \$9.55 per month and an increase in the commodity charge of 3.95 cents per therm, from 10.38 cents per therm to 14.33 cents per therm. Staff witness Saxe stated that his proposed rates were based on a more reasonable COSS and IRA. He stated that based on Staff's COSS, IRA, and revenue requirement proposals, the customer cost to serve this class justifies a \$12.60 per month facilities charge; however, since this facilities charge would result in a significant increase over the current charge, which could unduly impact these small gas customers, he proposed a facilities charge of \$9.55 per month and a commodity charge of 13.94 cents per therm for residential gas service.

Subsequently, the parties agreed to a residential gas service rate design as set forth in Schedule 3 of the Stipulation. The agreed to charges are a facilities charge of \$9.55 per month and a commodity charge of 13.94 cents per therm. The Commission concludes that the stipulated rate design for residential gas service, Rate 1, is reasonable and should be approved.

The Company proposes the elimination of its Rate 1A, multi-meter residential limited use. During the test year, only nine residential customers of the 9,122 residential customers of the Company were taking service under Rate 1A. Due to the lack of interest in Rate 1A, the Company does not see the need to maintain a separate residential rate for a small group of residential retail customers; thus, it proposed eliminating Rate 1A. Staff witness Saxe agreed with the Company's recommendation and testified that the nine customers currently taking service under Rate 1A will see an increase of only approximately \$1.50 per month due to the elimination of this option.

C. Small Commercial/Industrial

Illinois Gas proposed changing the Rate 2 name from small commercial/industrial to small general use, and raising the Rate 2 eligibility requirements from 500 cubic feet per hour of meter capacity to 700 cubic feet per hour of connected load. In addition, the Company proposed an increase in Rate 2 facilities charge of 50 cents per month, from \$10.00 per month to \$10.50 per month, and an increase in the commodity charge of 2.39 cents per therm, from 9.14 cents per therm to 11.53 cents per therm. Staff witness Saxe testified that he agrees with the Rate 2 name change and change in the eligibility requirement since these changes appear to clarify who qualifies for Rate 2 and, all current Rate 2 customers will still qualify for service under this rate. He also stated that based on Staff's COSS, IRA, and revenue requirement proposals, the customer cost to serve this class justifies a \$14.59 per month facilities charge; however, since this facilities charge would result in a significant increase over the current charge, which could unduly impact small gas customers, he recommended a facilities charge of \$11.86 per month and that the commodity charge remain at the current rate of 9.14 cents per therm.

The parties subsequently agreed to the Rate 2 rate design as set forth in Schedule 3 of the Stipulation. The agreed to charges are a facilities charge of \$11.86 per month and a commodity charge of 9.14 cents per therm. The Commission concludes that the stipulated rate design for Rate 2 is reasonable and should be approved.

D. Large Commercial/Industrial

Rate 3 is currently available to customers who use gas for commercial or industrial purposes, provided that the capacity of the service meter is in excess of 500 cubic feet per hour. The Company has proposed splitting Rate 3 into three separate rates (i.e., Rate 3, medium general use; Rate 4, large general use; and Rate 5, seasonal) to reflect the differences in costs to serve the various customer groups. The Company proposes to renumber its current Rate 4 to Rate 6. The Company's proposed Rate 3, medium general use, will be available to commercial or industrial customers that have a total connected load of more than 700 cubic feet per hour but less than 5,000 cubic feet per hour. Rate 4, large general use, will be available to commercial or industrial customers that have a total connected load of more than 5,000 cubic feet per hour. Rate 5, seasonal, will be available to customers who wish to be provided with gas service for only a portion of the calendar year. Company witness Houchin testified that there are significantly higher costs associated with metering and pressure regulation for the large general use group compared to the medium general use group, justifying a higher facilities charge. The large general use group also uses substantially more gas than the medium general use group and, therefore, should pay a lower rate per therm. Mr. Houchin further stated that the seasonal rate was needed because the seasonal customer's usage results in the customer not paying facilities charges for the entire year, causing an underrecovery of costs associated with serving this group.

The Company has proposed increasing the Rate 3 facilities charge from \$18.42 to \$25.50 per month and the commodity charge from 9.14 cents per therm to 9.53 cents per therm. In addition, the Company recommended that the Rate 4 facilities charge be \$50.50 per month and the commodity charge be 8.40 cents per therm and that the Rate 5 facilities charge be \$40.50 per month and the commodity charge be 13.50 cents per therm.

Staff witness Saxe agreed with the non-charge related changes the Company has proposed to Rate 3 since the purpose of the changes is to better match the rates with the different groups of customers taking service from Illinois Gas. He stated that based on the COSS, there appears to be differences in the cost to serve each of the three groups of customers that the new rates are designed to cover. Therefore, Staff witness Saxe agreed with the Company that Rate 3 should be split into the three proposed rates so that each rate can be designed to recover the cost to serve that particular group of customers. Based on Staff's COSS, IRA, and revenue requirement proposals, to permit the Company to fully recover customer cost, the facilities charges for Rates 3, 4, and 5, should be set at \$24.36, \$52.99, and \$129.41, respectively. Staff

recommended facilities charges for Rates 3 and 4 of \$24.36 and \$52.99, respectively. The Rate 3 facilities charge proposed by Staff is less than that proposed by the Company because in Staff's opinion the Company's proposed facilities charge for Rate 3 would overrecover the customer cost required to serve this group of customers. Staff recommended a facilities charge of \$40.50 for Rate 5 in light of customer impact concerns. Staff recommended a commodity charge of 7.85 cents per therm for Rate 3, 6.86 cents per therm for Rate 4, and 11.22 cents per therm for Rate 5.

Staff witness Saxe agreed that the Company needed to renumber its current Rate 4 to Rate 6, but stated that the Company's proposed facilities charge of \$120.50 per month for Rate 6 would not fully recover the projected customer cost to serve this class. Therefore, he recommended that the facilities charge be set at \$129.41 per month, with the remaining revenue requirement recovered through a commodity charge of 4.03 cents per therm.

Staff further proposed, with respect to the proposed changes to the Company's interruptible tariffs, that the following language be included in Illinois Gas' Rate 6, interruptible service tariff, as well as its Rate 5, seasonal tariff:

In the event that Illinois Gas determines that a peak day situation may occur, Illinois Gas will contact the customer and offer a choice of interruption of gas service or to remain on service and to pay the estimated additional cost of transportation which will be assigned to that customer based on the amount of gas that customer uses which contributes to any overrun charges incurred on the pipeline. In the event that the pipeline issues an Operational Flow Order then Illinois Gas will notify the customer of the need to interrupt gas service.

Subsequently, the parties agreed to the rate design for Rate 3, medium general use; Rate 4, large general use; Rate 5, seasonal; and Rate 6, interruptible service, as set forth in Schedule 3 of the Stipulation. The agreed to charges are a facilities charge of \$24.36 per month and a commodity charge of 7.85 cents per therm for Rate 3, medium general use; a facilities charge of \$52.99 and a commodity charge of 6.86 cents per therm for Rate 4, large general use; a facilities charge of \$40.50 per month and a commodity charge of 11.22 cents per therm for Rate 5, seasonal; and a facilities charge of \$129.41 per month and a commodity charge of 4.03 cents per therm for Rate 6, interruptible service. The Commission concludes that the stipulated rate design for Rates 3, 4, 5, and 6 is reasonable and should be approved and that the proposed language herein above set forth to be included within Illinois Gas Company Rates 5 and 6 is reasonable and shall be included in the tariff sheets to be filed by the Company.

E. Rider A Gas - Firm Transportation Service

Illinois Gas proposed a gas transportation rider available to customers contracting with it to transport customer-owned gas. The Company proposed a monthly

customer charge of \$129.41 per month and that commodities charges be billed at the per therm charge specified in the rate classification of the customer utilizing this firm transportation service. The rider set out other terms and conditions of service. Company and Staff agreed to language for the new tariff as set out in Schedule 5 of the Stipulation between the parties. The Commission concludes that the stipulated rate designed for the Company's Rider A - Firm Transportation Service, is reasonable and should be approved.

X. RULES, REGULATIONS AND CONDITIONS OF SERVICE

In its filing, Illinois Gas proposed to increase its reconnection and voluntary disconnection fees from \$22.00 to \$30.00 to reflect the normal hourly labor rate the Company now charges for labor. The Company also recommends increasing the fee for processing insufficient funds checks from \$5.00 to \$15.00. Staff had no objection to these charges.

Illinois Gas also proposes changing its current full month billing period from 27-33 days to 25-35 days. Staff agrees with this proposal, which will reduce the administrative burden of providing customer bills in a six-day period while it has no projected net effect on the Company's revenues.

The Company also proposes to no longer provide its customers, other than Rate 5 customers, with the option to request the disconnection of gas service without paying a reconnection fee, as long as they are reconnected in a twelve-month period. Staff agrees with this recommendation because this option placed Illinois Gas at risk of not being able to recover the facilities charges necessary to serve these customer classes. In addition, although Staff does not completely agree with the Company's decision to allow Rate 5 customers the ability to disconnect without paying reconnection fees, for purposes of this docket Staff will agree to accept the Company's decision but recommends that in the Company's next rate proceeding, the Company reevaluate its decision to allow these customers the option to disconnect service without incurring a reconnection fee.

Staff and the Company agree to provide in the rules, regulations and conditions of service a policy concerning main and service line extensions, as included in Illinois Gas Exhibit DLH-9, under gas mains, deposits and residential customers.

The Commission concludes that the changes and the additions to the rules, regulations and conditions of service herein above described are reasonable and should be approved.

XI. PRESERVATION OF RECORDS

Staff witness Struck testified that requirements for preservation of records are set forth in 83 Ill. Adm. Code 510, The Preservation of Records for Gas Utilities. He noted that Appendix A of Part 510 contains requirements for the preservation of

specific records. He indicated, for example, that journal vouchers and journal entries which support plant accounts are to be maintained for seven years prior to the date as of which original cost of plant has been unconditionally determined or approved by the Commission in an original cost proceeding or a rate case.

Mr. Struck indicated that the Commission should use the most recent year-end historical plant balances for Part 510 valuation purposes. He noted that historical plant balances are available through December 31, 1997 and that Staff has reviewed these balances. He recommended that, with respect to Part 510 requirements, the Commission unconditionally approve the gas plant balances for Illinois Gas at December 31, 1997, adjusted to reflect any adjustments the Commission may make to those balances in this proceeding.

The Commission concludes that Mr. Struck's recommendation, which was not opposed by the Company, is reasonable and is approved.

XII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Illinois Gas Company is an Illinois corporation engaged in the distribution and sale of natural gas at retail in Illinois and as such is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties and the subject matter herein;
- (3) the facts recited and conclusions reached in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of facts; Appendix A attached hereto provides supporting calculations for various portions of this Order;
- (4) all parties to this proceeding have signed a Stipulation, admitted into evidence as Illinois Gas/Staff Joint Exhibit A, in which they agree, for the purposes of this proceeding, to operating income and rate base, capital structure and cost of capital, revenue requirements, cost of service methodology, rate design principles, and resulting rate calculations;
- (5) for purposes of this proceeding, the Test Year is a twelve month period ending December 31, 1996;
- (6) for purposes of this proceeding, Illinois Gas net original cost rate base is \$6,490,461;
- (7) Illinois Gas' cost of common equity is 11.05% and its overall cost of capital is 9.63%;

- (8) giving effect to the determinations made in this Order, Illinois Gas Company should be allowed an opportunity to earn a rate of return of 9.63% on its net original cost rate base;
- (9) Illinois Gas' rates which are presently in effect are insufficient to generate the operating income necessary to permit Illinois Gas the opportunity to earn a fair and reasonable return on net original cost rate base; these rates should be permanently canceled and annulled;
- (10) the specific rates proposed by Illinois Gas do not reflect various determinations made in this Order on cost of service and rate design issues; Illinois Gas' proposed rates should be permanently canceled and annulled consistent with the findings herein;
- (11) Illinois Gas should be authorized to place into effect tariff sheets designed to produce annual operating revenues of \$9,015,761, which represents an increase of \$552,485 or 6.53%; such revenue will provide Illinois Gas with an opportunity to earn the rate of return set forth in finding (8) above; based on the record in this proceeding, this return is fair and reasonable for Illinois Gas;
- (12) determinations regarding cost of service, interclass revenue allocations, rate design, and tariff terms and conditions, as are contained in the prefatory portion of this Order above, are reasonable for purposes of this proceeding; the tariffs filed by Illinois Gas should incorporate the rates and rate designs set forth and referred to herein;
- (13) the original cost of Illinois Gas' plant is determined to be the Company's plant balances as reported in Illinois Gas' Form ILCC21 for the period ending December 31, 1997;
- (14) new tariff sheets authorized to be filed by this Order should reflect an effective date not less than three (3) working days after the date of filing, with the tariff sheets to be corrected, within that time period if necessary.

IT IS THEREFORE ORDERED that the tariffs presently in effect for gas service rendered by Illinois Gas Company are hereby permanently canceled and annulled effective at such time as the new gas tariff sheets approved herein become effective by virtue of this Order.

IT IS FURTHER ORDERED that the proposed tariffs seeking a general increase in gas rates, filed by Illinois Gas Company on March 31, 1998 and the proposed tariff seeking to change and add to the rules, regulations and conditions of service are permanently canceled and annulled.

IT IS FURTHER ORDERED that Illinois Gas Company is authorized and directed to file new tariff sheets with supporting work papers in accordance with finding

- (12) determinations regarding cost of service, interclass revenue allocations, rate design, and tariff terms and conditions, as are contained in the prefatory portion of this Order above, are reasonable for purposes of this proceeding; the tariffs filed by Illinois Gas should incorporate the rates and rate designs set forth and referred to herein;
- (13) the original cost of Illinois Gas' plant is determined to be the Company's plant balances as reported in Illinois Gas' Form ILCC21 for the period ending December 31, 1997;
- (14) new tariff sheets authorized to be filed by this Order should reflect an effective date not less than three (3) working days after the date of filing, with the tariff sheets to be corrected, within that time period if necessary.

IT IS THEREFORE ORDERED that the tariffs presently in effect for gas service rendered by Illinois Gas Company are hereby permanently canceled and annulled effective at such time as the new gas tariff sheets approved herein become effective by virtue of this Order.

IT IS FURTHER ORDERED that the proposed tariffs seeking a general increase in gas rates, filed by Illinois Gas Company on March 31, 1998 and the proposed tariff seeking to change and add to the rules, regulations and conditions of service are permanently canceled and annulled.

IT IS FURTHER ORDERED that Illinois Gas Company is authorized and directed to file new tariff sheets with supporting work papers in accordance with finding (11), (12) and (14) of this Order, applicable to gas service furnished on and after the effective date of said gas tariff sheets.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act in 83 Ill. Adm. Code Section 200.800, this Order is final; it is not subject to the administrative review of law.

By Order of the Commission this 10th day of September, 1998.

(SIGNED) RICHARD L. MATHIAS

Chairman

(SEAL)

Commissioner Harvill dissented; a written opinion will be filed.

ILLINOIS GAS COMPANY
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 1996

Line No	Description	Company Pro Forma Present (Sch. C-1) (B)	Commission Adjustments (Sch. 1,2) (C)	Commission Pro Forma Present (Cols. B+C) (D)	Company Proposed Increase (Source) (E)	Commission Gross Revenue Conversion Factor (Source) (F)	Proposed Rates with Commission Adjustments (Cols. D+E+F) (G)	Adjustment To Proposed Increase (H)	Commission Pro Forma Proposed (Cols. G+H) (I)	Revenue Change (Col. I-D) (J)	% Revenue Change (3) (K)
1	Tariffed Revenue	\$ 8,424,154	\$ -	\$ 8,424,154	\$ 684,047	\$ 11	\$ 9,108,212	\$ (131,573)	\$ 8,976,639		
2	Other Revenue	39,122	-	39,122	-	-	39,122	-	39,122		
3	Total Operating Revenue	8,463,276	-	8,463,276	684,047	11	9,147,334	(131,573)	9,015,761	\$ 552,485	6.53%
4											
5	Uncollectible Accounts	36,383	-	36,383	9,914	5	46,302	(1,908)	44,394		
6	Cost of Gas	5,987,947	-	5,987,947	-	-	5,987,947	-	5,987,947		
7	Distribution Expense	342,464	-	342,464	-	-	342,464	-	342,464		
8	Maintenance Expense	339,879	-	339,879	-	-	339,879	-	339,879		
9	Customer Accounts Expense	320,655	175	320,830	-	-	320,830	-	320,830		
10	Sales Expense	6,315	-	6,315	-	-	6,315	-	6,315		
11	Administrative/General Expense	628,206	(18,564)	609,642	-	-	609,642	-	609,642		
12	Depreciation & Amortization	439,219	(17,891)	421,328	-	-	421,328	-	421,328		
13	Taxes Other Than Income	121,397	-	121,397	-	-	121,397	-	121,397		
14	Amortized Debt Expense	456	(456)	-	-	-	-	-	-		
15											
16	Total Operating Expense										
17	Before Income Taxes	8,222,921	(36,736)	8,186,185	9,914	5	8,196,104	(1,908)	8,194,196		
18											
19	State Income Tax	(4,081)	3,333	(748)	48,330	6	47,588	(9,297)	38,291		
20	Federal Income Tax	(17,965)	14,672	(3,293)	212,773	-	209,480	(40,925)	168,555		
21	Deferred Taxes and ITCs Net	(10,312)	-	(10,312)	-	-	(10,312)	-	(10,312)		
22	Total Operating Expenses	8,190,563	(18,731)	8,171,832	271,017	11	8,442,860	(52,130)	8,390,730		
23											
24	NET OPERATING INCOME	\$ 272,713	\$ 18,731	\$ 291,444	\$ 413,030	\$ -	\$ 704,474	\$ (79,443)	\$ 625,031		
25	Staff Rate Base								\$ 6,490,461	(1)	
26	Staff Overall Rate of Return									9.63%	(2)

(1) Source: Staff Ex. 1.0, Schedule 1.3, Column (D).

(2) Source: Staff Ex. 4.0, Schedule 4.15.

(3) Source: Column (J), Line 4, divided by Column (D), Line 4.

ILLINOIS GAS COMPANY
Adjustments to Operating Income
For the Test Year Ended December 31, 1996

Line No	Description (A)	Interest Synchron- ization (St. Ex 1.0 Sch 1.6)	Rate Case Expense (St. Ex 1.0 Sch 1.7)	Advertisin Expense (St. Ex 1.0 Sch 1.8)	Postage Expense (St. Ex 1.0 Sch 1.9)	Amortized Debt Expense (St. Ex 1.0 Sch 1.10)	Customer Deposits Interest Expense (St. Ex 1.0 Sch 1.12)	Incentive Compensation Depreciation Expense (St. Ex 2.0 Sch 2.3)	Plan Expense (St. Ex 2.0 Sch 2.7)	(Source) (J)	Total (K)
		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)		
1	Tariffed Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenue	-	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-	-	-
4											
5	Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-
6	Cost of Gas	-	-	-	-	-	-	-	-	-	-
7	Distribution Expense	-	-	-	-	-	-	-	-	-	-
8	Maintenance Expense	-	-	-	-	-	-	-	-	-	-
9	Customer Accounts Expense	-	-	-	(1,375)	-	1,550	-	-	-	175
10	Sales Expense	-	-	-	-	-	-	-	-	-	-
11	Administrative/General Expense	-	(4,770)	(1,845)	(78)	-	-	-	(11,871)	-	(18,564)
12	Depreciation & Amortization	-	-	-	-	-	-	(17,891)	-	-	(17,891)
13	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-
14	Amortized Debt Expense	-	-	-	-	(456)	-	-	-	-	(456)
15		-	-	-	-	-	-	-	-	-	-
16	Total Operating Expense										
17	Before Income Taxes	-	(4,770)	(1,845)	(1,453)	(456)	1,550	(17,891)	(11,871)	-	(36,736)
18											
19	State Income Tax	699	342	132	104	33	(111)	1,283	851	-	3,333
20	Federal Income Tax	3,076	1,506	582	459	144	(489)	5,647	3,747	-	14,672
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-	-	-
22	Total Operating Expenses	3,775	(2,922)	(1,131)	(890)	(279)	950	(10,961)	(7,273)	-	(18,731)
23											
24	NET OPERATING INCOME	\$ (3,775)	\$ 2,922	\$ 1,131	\$ 890	\$ 279	\$ (950)	\$ 10,961	\$ 7,273	\$ -	\$ 18,731

Line No	Description (A)	Deferred Rate (B)	Customer Deposits (C)	Case Expense (D)	Plant in Service (E)	Accumulate Depreciatio (F)	Current Deferred Taxes (G)	Deferred Income Taxes (H)	Materials & Supplies (I)	Total (J)
1	Plant in Service	\$ -	\$ -	\$ -	\$(394,749)	\$ 155,769	\$ -	\$ -	\$ -	\$(394,749)
2	Depreciation Reserve	-	-	-	-	155,769	-	-	-	155,769
3	Net Plant	-	-	-	(394,749)	155,769	-	-	-	(238,980)
4	Additions to Rate Base:									
5	Materials & Supplies	-	-	-	-	-	-	-	(3,324)	(3,324)
6	Deferred Taxes - Current	-	-	-	-	-	850	-	-	850
7	Deferred Rate Case Expense	-	-	(17,500)	-	-	-	-	-	(17,500)
8	Deferred Pension	-	-	-	-	-	-	-	-	-
9	Working Capital	(7,621)	-	-	-	-	-	-	-	(7,621)
10		-	-	-	-	-	-	-	-	-
11		-	-	-	-	-	-	-	-	-
12		-	-	-	-	-	-	-	-	-
13		-	-	-	-	-	-	-	-	-
14		-	-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-	-
16	Deductions from Rate Base:									
17	Customer Advances	-	-	-	-	-	-	(70,474)	-	(70,474)
18	Accumulated Deferred Income Taxes	-	-	-	-	-	-	-	-	(22,101)
19	Customer Deposits	-	(22,101)	-	-	-	-	-	-	-
20		-	-	-	-	-	-	-	-	-
21		-	-	-	-	-	-	-	-	-
22		-	-	-	-	-	-	-	-	-
23		-	-	-	-	-	-	-	-	-
24		-	-	-	-	-	-	-	-	-
25		-	-	-	-	-	-	-	-	-
26	Rate Base	\$ (7,621)	\$ (22,101)	\$ (17,500)	\$ (394,749)	\$ 155,769	\$ 850	\$ (70,474)	\$ (3,324)	\$ (359,150)

ILLINOIS GAS COMPANY
Rate Base
For the Test Year Ended December 31, 1996

Line No	Description (A)	Company Pro Forma (Sch B-1) (B)	Commission Adjustments (Sch 1.4) (C)	Commission Pro Forma (Col B+C) (D)
1	Plant in Service	\$ 12,755,015	\$ (394,749)	\$ 12,360,266
2	Depreciation Reserve	(5,513,094)	155,769	(5,357,325)
3	Net Plant	7,241,921	(238,980)	7,002,941
4				
5	Additions to Rate Base:			
6	Materials & Supplies	138,401	(3,324)	135,077
7	Deferred Taxes - Current	15,073	850	15,923
8	Deferred Rate Case Expense	17,500	(17,500)	-
9	Deferred Pension	31,952	-	31,952
10	Working Capital	224,412	(7,621)	216,791
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16				
17	Deductions from Rate Base:			
18	Customer Advances	(3,103)	-	(3,103)
19	Accumulated Deferred Income Taxes	(816,545)	(70,474)	(887,019)
20	Customer Deposits	-	(22,101)	(22,101)
21		-	-	-
22		-	-	-
23		-	-	-
24		-	-	-
25		-	-	-
26				
27	Rate Base	\$ 6,849,611	\$ (359,150)	\$ 6,490,461

ILLINOIS GAS COMPANY
Revenue Effect of Adjustments
For the Test Year Ended December 31, 1996

Docket No. 98-0298
Appendix A
Schedule 1.5
Page 1 of 3

Line No	Description (A)	Effect at Company ROR (B)	Effect Of Staff ROR (C)	Effect of Interest Synch. (D)	Rounding (E)	TOTAL REVENUE EFFECT (F)
1	Company Proposed Increase					\$ 684,047 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE	9.63% (2)	(43,269)			(43,269)
3	Return on Equity	11.05% (2)				
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)	(59,550)	2,269	10,231	-	(47,050)
5						
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)					(41,253)
7						
8	Revenue Conversion Factor Adjustment					11
9						
10	Rounding					(1)
11						
12	Total Effect of Staff Proposals					(131,562)
13						
14						
15	Staff Proposed Change to Revenues					\$ 552,485 (3)
16						
17						
18	Rounding (Memo Only)					(Memo Only)
19						
20	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)		\$ (41,000)			(Memo Only)

(1) Source: Company Filing, Schedule A-1.

(2) Source: Staff Ex. 4.0, Schedule 4.15.

(3) Source: Staff Exhibit 1.0, Schedule 1.1

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ILLINOIS GAS COMPANY
Revenue Effect of Adjustments
For the Test Year Ended December 31, 1996

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Appendix A
Schedule 1.5
Page 2 of 3

Line No	Description (A)	Exhibit (B)	Effect at Company ROR (1) (C)	Effect Of Staff ROR (2) (D)	Effect of Interest Synch. (3) (E)	Rounding (F)	TOTAL REVENUE EFFECT (4) (G)	Line No
1	Staff Adjustments - RATE BASE							1
2	Working Capital	Staff Ex. 1.0, Sch 1.11	\$ (1,264)	\$ 48	\$ 217	\$ 1	\$ (998)	2
3	Customer Deposits	Staff Ex. 1.0, Sch 1.12	(3,665)	140	630	-	(2,895)	3
4	Deferred Rate Case Expense	Staff Ex. 1.0, Sch 1.13	(2,902)	111	499	(1)	(2,293)	4
5	Plant in Service	Staff Ex. 2.0, Sch 2.1	(65,453)	2,494	11,245	-	(51,714)	5
6	Accumulated Depreciation	Staff Ex. 2.0, Sch 2.2	25,828	(984)	(4,437)	-	20,407	6
7	Current Deferred Income Taxes	Staff Ex. 2.0, Sch 2.4	141	(5)	(24)	(1)	111	7
8	Accumulated Deferred Income Taxes	Staff Ex. 2.0, Sch 2.5	(11,685)	445	2,008	-	(9,232)	8
9	Materials and Supplies	Staff Ex. 2.0, Sch 2.6	(551)	21	95	-	(435)	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27								27
28	Subtotal		(59,551)	2,270	10,233	(1)	(47,049)	28
29	Rounding		1	(1)	(2)	1	(1)	29
30	Total Revenue Effect of Rate Base Adjustments		<u>\$ (59,550)</u>	<u>\$ 2,269</u>	<u>\$ 10,231</u>	<u>\$ -</u>	<u>\$ (47,050)</u>	30

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff After Tax ROR - Staff Before Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

ILLINOIS GAS COMPANY
Revenue Effect of Adjustments
For the Test Year Ended December 31, 1996

Docket No. 98-0298
Appendix A
Schedule 1.5
Page 3 of 3

Line No	Description (A)	Exhibit (B)	TOTAL REVENUE EFFECT (1) (C)	Remove Rate Base Portion (2) (D)	Operating Statement Portion (C+D) (E)	Line No
1	Staff Adjustments - Operating Statement					1
2	Interest Synchronization	Staff Ex. 1.0, Sch 1.6	\$ 6,252	\$ (10,231)	\$ (3,979)	2
3	Rate Case Expense	Staff Ex. 1.0, Sch 1.7	(4,839)		(4,839)	3
4	Advertising Expense	Staff Ex. 1.0, Sch 1.8	(1,873)		(1,873)	4
5	Postage Expense	Staff Ex. 1.0, Sch 1.9	(1,474)		(1,474)	5
6	Amortized Debt Expense	Staff Ex. 1.0, Sch 1.10	(462)		(462)	6
7	Customer Deposits Interest Expense	Staff Ex. 1.0, Sch 1.12	1,573		1,573	7
8	Depreciation Expense	Staff Ex. 2.0, Sch 2.3	(18,154)		(18,154)	8
9	Incentive Compensation Plan	Staff Ex. 2.0, Sch 2.7	(12,045)		(12,045)	9
10			-		-	10
11			-		-	11
12			-		-	12
13			-		-	13
14			-		-	14
15			-		-	15
16			-		-	16
17			-		-	17
18			-		-	18
19			-		-	19
20			-		-	20
21			-		-	21
22			-		-	22
23			-		-	23
24			-		-	24
25			-		-	25
26			-		-	26
27						27
28	Column Subtotal		<u>\$ (31,022)</u>	<u>\$ (10,231)</u>	(41,253)	28
29						29
30	Rounding				-	30
31						31
32	Total Revenue Effect of Operating Statement Adjustments				<u>\$ (41,253)</u>	32

(1) Source: Adjustment x Staff GRCF.

(2) Source: Schedule 1.5, Page 2 of 3, Column (D), Line 30.

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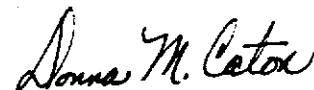
STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION
CERTIFICATE

Re: 98-0298

I, DONNA M. CATON, do hereby certify that I am Chief Clerk of the Illinois Commerce Commission of the State of Illinois and keeper of the records and seal of said Commission with respect to all matters except those governed by Chapters 18a and 18c of The Illinois Vehicle Code.

I further certify that the above and foregoing is a true, correct and complete copy of the Order made and entered of record by said Commission on September 10, 1998.

Given under my hand and seal of said Illinois Commerce Commission at Springfield, Illinois, on September 11, 1998.



Chief Clerk

ILLINOIS GAS COMPANY

**ICC DOCKET 04-xxxx
Section 285.305**

Lori A. Uhl, Assistant Treasurer & Comptroller
618-395-8588

- c) Each monthly managerial report providing financial results of operations for each of the past 12 months and each of the eight subsequent months as it becomes available.**

Illinois Gas Company prepares quarterly financial statements. The quarterly reports for 2003 are attached.

ILLINOIS GAS COMPANY
Income Statement
2003 & 1st qtr 2004

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Total 2003</u>	<u>1st Qtr 2004</u>
Utility Operating Income						
Utility Revenues						
Distribution Charge	759,240	171,643	104,691	445,298	1,480,871	671,015
Facilities Charge (includes energy assist)	347,592	344,895	339,591	343,548	1,375,627	349,362
Forfeited Discounts/Misc Revenue/RA	17,564	18,693	13,724	7,641	57,622	21,686
Purchase Gas Adjustment	4,474,572	1,241,554	734,875	2,439,691	8,890,692	4,232,604
Gross Receipts Tax	177,788	45,764	22,540	64,569	310,661	153,447
Public Utility Tax	5,902	2,193	1,216	3,118	12,429	5,618
Total Utility Revenue	<u>5,782,659</u>	<u>1,824,742</u>	<u>1,216,637</u>	<u>3,303,866</u>	<u>12,127,904</u>	<u>5,433,731</u>
Utility Expenses						
Cost of Gas	4,847,515	1,035,588	630,885	2,564,557	9,078,545	3,901,911
Regulatory Debit-PGA Refund	(373,071)	203,233	110,499	(127,801)	(187,140)	330,823
Taxes - Gross Receipts	154,755	80,121	25,697	52,662	313,235	141,972
Taxes - Public Utility	2,930	2,700	4,000	2,500	12,130	4,033
Taxes - Energy Assistance	28,194	28,279	27,743	28,094	112,310	28,551
Total Utility Expenses	<u>4,660,323</u>	<u>1,349,921</u>	<u>798,824</u>	<u>2,520,012</u>	<u>9,329,080</u>	<u>4,407,290</u>
Gross Utility Income	<u>1,122,336</u>	<u>474,821</u>	<u>417,813</u>	<u>783,853</u>	<u>2,798,824</u>	<u>1,026,442</u>
Operating Expenses						
Distribution Expenses	114,909	74,800	59,507	83,369	332,584	103,934
Maintenance Expenses	42,720	50,494	58,474	84,835	236,523	71,578
Customer Accounts Expense	120,694	114,259	98,469	303,170	636,591	167,034
Sales Expenses	263	184	101	58	606	94
General Admin Operations	170,671	165,560	98,458	66,385	501,073	97,175
General Admin Maintenance	71,480	66,623	53,211	58,466	249,780	57,937
Depreciation	160,073	160,944	163,845	170,016	654,878	167,128
Taxes	35,278	38,782	31,454	29,142	134,656	44,911
Total Utility Operating Expenses	<u>716,087</u>	<u>671,645</u>	<u>563,519</u>	<u>795,440</u>	<u>2,746,691</u>	<u>709,790</u>
Net Utility Operating Income	<u>406,249</u>	<u>(196,824)</u>	<u>(145,706)</u>	<u>(11,587)</u>	<u>52,132</u>	<u>316,651</u>
Other Income/Expense						
Merchandise/Jobbing Revenue	58	626	18,698	2,323	21,704	1,568
Equity in Earnings of Subsidiaries				191,048	191,048	-
Interest Income	5,273	3,064	2,253	4,890	15,481	3,741
Misc Nonoperating Income	9,652	87	(920)	115,598	124,418	2,400
Gain (Loss) on Disposition of Property	9,776	12,730	9,395	(11,308)	20,592	(1,037)
Interest on Long Term Debt	(25,032)	(26,783)	(27,047)	(44,620)	(123,482)	(34,837)
Amortization of Debt Expense	(90)	(90)	(90)	(90)	(359)	(90)
Other Interest Expense	(30,592)	(32,181)	(28,714)	(27,618)	(119,105)	(20,119)
Net Pre-Tax Income	<u>375,293</u>	<u>(239,370)</u>	<u>(172,131)</u>	<u>218,637</u>	<u>182,429</u>	<u>268,278</u>
Income Taxes	-	5,000	(943)	62,683	66,740	-
Deferred Taxes	-	-	-	(117,480)	(117,480)	-
Investment Tax Credit Adj - Net	734	734	734	734	2,936	734
Net Income	<u>376,027</u>	<u>(233,636)</u>	<u>(172,340)</u>	<u>164,574</u>	<u>134,625</u>	<u>269,012</u>

ILLINOIS GAS COMPANY
Balance Sheet
2003 & 1st Qtr 2004

	2003				1st Qtr 2004
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Fixed Assets					
Organization Costs	12,786.00	12,786.00	12,786.00	12,786.00	12,786.00
Plant in Service	15,151,009.93	15,219,934.51	15,225,943.92	15,308,801.42	15,410,630.15
Work in Progress	-	-	-	-	-
Less: Accumulated Depreciation	(7,105,205.28)	(7,166,805.52)	(7,299,590.91)	(7,329,289.90)	(7,441,393.45)
Construction Work in Progress	19,364.68	112,146.16	180,961.47	-	-
Net Plant	8,077,955.33	8,178,061.15	8,120,100.48	7,992,297.52	7,982,022.70
Current and Accrued Assets					
Investment in Subsidiaries	285,726.10	286,326.70	286,326.70	477,374.82	477,374.82
Cash	607,390.63	92,040.56	(34,540.22)	128,856.57	127,060.69
Working Funds	3,429.05	3,330.06	3,230.02	3,230.02	3,230.02
Temporary Cash Investments	66,193.00	66,193.00	66,193.00	-	-
Customer Accounts Receivable	1,823,173.82	904,802.13	665,152.50	713,902.83	1,179,736.89
Other Accounts Receivable	265,346.54	329,714.80	182,216.62	163,394.64	246,796.26
Less: Provision for Uncollectibles	(71,102.36)	(95,972.54)	(60,972.05)	(55,291.57)	(144,153.20)
Materials & Supplies Inventory	17,232.80	17,215.76	17,215.76	15,280.40	15,271.30
Merchandise Inventory	5,632.88	5,564.37	5,691.01	4,732.89	4,715.28
Prepayments	165,622.24	227,694.17	148,526.94	73,214.41	61,095.21
Accrued Unbilled Revenue	714,681.69	272,233.81	223,334.88	1,080,807.42	711,350.22
Accumulated Deferred Income Taxes	8,006.00	8,006.00	8,006.00	11,672.00	11,672.00
Total Current	3,891,332.39	2,117,148.82	1,510,381.16	2,617,174.43	2,694,149.49
Deferred Assets					
Deferred Rate Case Expense	5,092.66	2,546.32	-	-	-
Unamortized Debt Expense	6,155.10	6,065.46	5,975.82	5,886.18	5,796.54
Assets in Process	-	-	-	-	-
Total Deferred	11,247.76	8,611.78	5,975.82	5,886.18	5,796.54
TOTAL ASSETS	11,980,535.48	10,303,821.75	9,636,457.46	10,615,358.13	10,681,968.73
Stockholders Equity					
Common Stock	(297,214.43)	(297,214.43)	(297,214.43)	(297,214.43)	(297,214.43)
Additional Paid in Capital	(66,193.00)	(66,193.00)	(66,193.00)	-	-
Unappropriated Retained Earnings	(2,612,507.35)	(2,612,507.35)	(2,612,507.35)	(2,612,507.35)	(2,631,932.29)
Less: Dividends Paid	28,800.00	57,600.00	86,400.00	115,200.00	28,800.00
Less: Treasury Stock	387,239.00	387,239.00	387,239.00	387,239.00	387,239.00
Current Period Net Income	(376,026.61)	(142,390.45)	29,949.42	(134,624.94)	(269,012.13)
Total Equity	(2,935,902.39)	(2,673,466.23)	(2,472,326.36)	(2,541,907.72)	(2,782,119.85)
Current and Accrued Liabilities					
Notes Payable - Short Term	(2,475,000.00)	(2,400,000.00)	(2,500,000.00)	(1,350,000.00)	(1,000,000.00)
Accounts Payable	(39,774.43)	(611,224.63)	(409,640.06)	(1,809,368.73)	(933,543.54)
Customer Deposits	1,859.50	452.87	769.22	(201.43)	(201.43)
Taxes Accrued	(82,874.49)	(13,911.49)	(5,477.27)	(1,674.74)	(6,183.65)
Interest Accrued	(27,970.37)	(27,187.84)	(21,418.53)	(24,244.50)	(30,713.47)
Exchange Gas	(890,449.54)	(599,775.92)	(50,371.81)	(327,631.84)	(1,389,519.33)
Misc Current and Accrued Liabilities	(1,831,692.43)	(68,954.51)	(79,816.46)	(94,451.77)	(76,148.57)
Other Deferred Credits-AR Overpayments				(512,643.81)	(122,130.75)
Regulatory Liabilities - PGA Refunds	172,954.00	(30,279.00)	(140,778.00)	(17,827.00)	(343,800.00)
Total Current	(5,172,947.76)	(3,750,880.52)	(3,206,732.91)	(4,138,043.82)	(3,902,240.74)
Deferred Liabilities					
Long Term Debt	(2,845,366.14)	(2,853,889.82)	(2,912,048.02)	(2,769,644.43)	(2,832,579.99)
Customer Advance for Construction	(3,103.20)	(3,103.20)	(3,103.20)	(3,103.20)	(3,103.20)
Accumulated Deferred Investment Tax Credits	(35,718.99)	(34,984.98)	(34,250.97)	(33,516.96)	(32,782.95)
Deferred Income Taxes	(987,497.00)	(987,497.00)	(1,007,996.00)	(1,129,142.00)	(1,129,142.00)
Total Deferred	(3,871,685.33)	(3,879,475.00)	(3,957,398.19)	(3,935,406.59)	(3,997,608.14)
TOTAL LIABILITIES AND EQUITY	(11,980,535.48)	(10,303,821.75)	(9,636,457.46)	(10,615,358.13)	(10,681,968.73)

ILLINOIS GAS COMPANY

**ICC DOCKET 04-xxxx
Section 285.305**

Lori A. Uhl, Assistant Treasurer & Comptroller
618-395-8588

- d) Current corporate chart of accounts and subaccounts, listing Commission account numbers, utility account numbers (if different), and description.**

Attached is a copy of the Corporate Chart of Accounts as of December 31, 2003.

Illinois Gas Company
Chart Of Accounts - Short Form (GLCHTA01)
Section 285.305d

Account Number	Description	Status
107000	Construction WIP-JC Clearing	Active
108000	Accum Prov for Depr-Org Costs	Active
108100	Accum Prov for Depr-Distributn	Active
108150	Accum Prov for Depr-Dist Retir	Active
108200	Accum Prov for Depr-General	Active
123111	Investment in Sub-USDI Assets	Active
123112	Investment in Sub-USDI Dividnd	Active
123113	Investment in Sub-USDI Earning	Active
123120	Investment in Sub-USSI Stock	Active
123121	Investment in Sub-USSI Assets	Active
123122	Investment in Sub-USSI Dividnd	Active
123123	Investment in Sub-USSI Earning	Active
131110	Cash-Old National Bank Deposit	Active
131120	Cash-First Natl Bank Olney Dps	Active
131130	Cash-Heritage State Bank Depst	Active
131140	Cash-First Bank of LC Deposit	Active
131150	Cash-TrustBank Deposit	Active
131160	Cash-Peoples State Bank S Dpst	Active
131170	Cash-Citizens Natl Bank Depost	Active
131180	Cash-Integra Bank Deposit	Active
131190	Cash-Bank of Law Cnty Deposit	Active
131200	Cash-Ste.Marie State Bank Depo	Active
131210	Cash-Casey State Bank Deposit	Active
131300	Cash-First Commnty Olney Depst	Active
131310	Cash-First Commnty Genl Oprtng	Active
131320	Cash-First Community Payroll	Active
131330	Cash-First Commnty Cust Refn	Active
131340	Cash-First Commnty Lawr Depost	Active
131350	Cash-First Commnty Savings	Active
135110	Working Fund-Lawcville Petty C	Active
135120	Working Fund-Olney Petty Cash	Active
135130	Working Fund-Lawcville Cash Dr	Active
135140	Working Fund-Olney Cash Drawer	Active
135150	Wrkng Fnd-First Comm. Petty Ca	Active
135160	Working Fund-Bulk Mailing Pstg	Active
142000	Customer A/R-Merchandise/Jobbn	Active
142100	Customer A/R-Residentl/Commrc	Active
142200	Customer A/R-Interrupt/Transpo	Active
142400	Customer A/R-NSF Checks/Fees	Active
143100	Other A/R-US Income Tax Refund	Active
143200	Other A/R-IL Income Tax Refund	Active
143300	Other A/R-Employee Travel Advn	Active
143500	Other A/R-Miscellaneous	Active
143600	Other A/R-Gas Revenue Tax	Active
143700	Other A/R-Invested Capital Tax	Active
144100	Accum Prov for Uncoll Accts G	Active
144200	Accum Prov for Uncoll Accts M	Active
146200	A/R from Assoc Company-USDI	Active
146300	A/R from Assoc Company-USSI	Active
146400	A/R from Assoc Co-IL Real Esta	Active
154000	Plant Materials & Supplies	Active
155000	Merchandise	Active
165110	Prepymnts-US Income Tax Depost	Active

Illinois Gas Company
Chart Of Accounts - Short Form (GLCHTA01)
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Account Number	Description	Status
165120	Prepymnts-IL Income Tax Deposi	Active
165130	Prepymnts-Gross Receipt Tax De	Active
165140	Prepymnts-Public Utility Tax D	Active
165150	Prepymnts-Investd Capitl Tax D	Active
165160	Prepymnts-Energy Assistance De	Active
165240	Prepayments-Insurance	Active
165260	Prepayments-Computer Consulting	Active
165265	Prepayments-ACCPAC SupportPlus	Active
165500	Prepayments - Miscellaneous	Active
173100	Accrued Utility Revenue	Active
181100	Unamortized Debt Expense-Mortg	Active
181200	Unamortized Debt Expense-Revlv	Active
184400	Clearing Acct-Veh/Equip Disposl	Active
186100	Misc Deferred Debits-Rate Case	Active
190100	Accum Deferred Income Taxes-US	Active
190200	Accum Deferred Income Taxes-IL	Active
211000	Miscellaneous Paid-In Capital	Active
216000	Unappropriated Retained Earnin	Active
216100	Unapprop Undistrib SubEarn USDI	Active
216150	Unapprop Undistrib SubEarn USSI	Active
217000	Reacquired Capital Stock (Trea	Active
224100	Othr LT Debt-First Comm 2542	Active
224200	Othr LT Debt-First Comm 0424	Active
224300	Other LT Debt-GMAC T025	Active
231300	Notes Payable-Old Natl 5530	Active
231400	Notes Payable-Integra Bnk 0012	Active
231500	Notes Payable-First Comm 2136	Active
231600	Notes Payable-FNB Olney 7462	Active
231700	Notes Payable-Trust Bank 1531	Active
231800	Notes Payable-PeoplesState9737	Active
231900	Notes Payable-Casey State	Active
232000	Accounts Payable	Active
234100	A/P to Associated Company-USDI	Active
235100	Customer Deposits-Meter Deposi	Active
236100	Taxes Accrued-Soc Security/Med	Active
236110	Taxes Accrued-FUTA	Active
236120	Taxes Accrued-IL Unemployment	Active
236130	Taxes Accrued-MO Unemployment	Active
236200	Taxes Accrued-US Income Taxes	Active
236210	Taxes Accrued-IL Income Taxes	Active
236300	Taxes Accrued-Gross Receipts	Active
236350	Taxes Accrued-Energy Assistanc	Active
236400	Taxes Accrued-Invested Capital	Active
236500	Taxes Accrued-Public Utility	Active
236700	Taxes Accrued-Real/Personal Pr	Active
237100	Interest Accrd-PGA Refund Due	Active
237200	Interest Accrd-First Comm 0424	Active
237300	Interest Accrd-Old Natl 5530	Active
237400	Interest Accrd-Integra Bk 0012	Active
237500	Interest Accrd-First Comm 2136	Active
237600	Interest Accrd-FNB Olney 7343	Active
237700	Interest Accrd-TrustBank 1531	Active
237800	Interest Accrd-Peoples SB 9737	Active

Illinois Gas Company
Chart Of Accounts - Short Form (GLCHTA01)
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Account Number	Description	Status
237900	Interest Accrd-Casey SB	Active
241100	Tax Collections Payable-US Inc	Active
241200	Tax Collections Payable-SS/Med	Active
241300	Tax Collectns Pay-IL Income WH	Active
241350	Tax Collectns Pay-MO Income WH	Active
241400	Tax Collections Payable-IL Sal	Active
242100	Misc Liab-Employee Ded 401k Co	Active
242110	Misc Liab-Employee Ded Union D	Active
242120	Misc Liab-Employee Ded 401k Li	Active
242130	Misc Liab-Employee Ded 401k Ln	Active
242140	Misc Liab-Employee Ded Child	Active
242150	Misc Liab-Incentive Plan	Active
242200	Misc Liab-Unclaimed Property	Active
242300	Misc Liab-Exchange Gas DelivTG	Active
242400	Misc Liab-401k Contribution	Active
242500	Misc Liab-OPEB Exense	Active
242600	Misc Liab-Insurance Prem WorkC	Active
242700	Misc Liab-Accrued Payroll	Active
242800	Misc Liab-Accrued Vacation/Per	Active
242995	Misc Liab-Accrued Misc	Active
252000	Customer Advance for Construct	Active
254000	Other Regulatory Liab-PGA Refu	Active
254100	Other Regulatory Liab-PGA Audt	Active
255000	Acc Deferred Invstmnt Tax Cred	Active
281100	Acc Def Inc Tax-Accel Amort US	Active
281200	Acc Def Inc Tax-Accel Amort IL	Active
283100	Acc Def Inc Tax-Other Prop US	Active
283200	Acc Def Inc Tax-Other Prop IL	Active
300100	Capital Asset Purchase Clearin	Active
301000	Organization Costs	Active
374000	Distribution Plant-Land/Land R	Active
375000	Distribution Plant-Structures/	Active
376000	Distribution Plant-Mains	Active
378000	Distribution Plant-Meas/Reg St	Active
379000	Distribution Plant-City Gate C	Active
380000	Distribution Plant-Services	Active
381000	Distribution Plant-Meters	Active
383000	Distribution Plant-House Regul	Active
384000	Distribution Plant-House Reg I	Active
385000	Distribution Plant-Ind Meas/Re	Active
387000	Distribution Plant-Other Equip	Active
389000	General Plant-Land/Land Rights	Active
390000	General Plant-Structures/Impro	Active
391000	General Plant-Off Furniture/Eq	Active
392000	General Plant-Transportation E	Active
393000	General Plant-Stores Equipment	Active
394000	General Plant-Tools, Shop/Gar	Active
396000	General Plant-Power Operated E	Active
397000	General Plant-Communication Eq	Active
403000	Depreciation-Organization Cost	Active
403375	Depreciation-Dist Structures/I	Active
403376	Depreciation-Mains	Active
403378	Depreciation-Meas/Reg Stn Equi	Active

Illinois Gas Company
Chart Of Accounts - Short Form (GLCHTA01)
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Account Number	Description	Status
403379	Depreciation-City Gate Chk Stn	Active
403380	Depreciation-Services	Active
403381	Depreciation-Meters	Active
403383	Depreciation-House Regulators	Active
403384	Depreciation-House Reg Install	Active
403385	Depreciation-Ind Meas/Reg Stn	Active
403389	Depreciation-Other Equipment	Active
403390	Depreciation-Gen Structures/Im	Active
403391	Depreciation-Off Furniture/Equ	Active
403392	Depreciation-Transportation Eq	Active
403393	Depreciation-Stores Equipment	Active
403394	Depreciation-Tools, Shop/Gar E	Active
403396	Depreciation-Power Operated Eq	Active
403397	Depreciation-Communication Equ	Active
407310	Regulatory Debits-PGA Refund	Active
408110	Taxes - IL Gross Receipts	Active
408115	Taxes - IL Energy Assistance	Active
408120	Taxes - Social Security/Medica	Active
408125	Taxes - Federal Unemployment	Active
408130	Taxes - Illinois Unemployment	Active
408132	Taxes - Missouri Unemployment	Active
408135	Taxes - Public Utility	Active
408140	Taxes - Invested Capital	Active
408141	Taxes - Invested Capital-Prior	Active
408145	Taxes - Real/Personal Property	Active
408150	Taxes - Franchise	Active
408155	Taxes - Illinois Sales/Use	Active
409110	Income Taxes - Federal	Active
409111	Income Taxes-Federal Prior Yr	Active
409120	Income Taxes - Illinois	Active
409121	Income Taxes-Illinois Prior Yr	Active
410110	Prov for Deferred Income Tax U	Active
410120	Prov for Deferred Income Tax I	Active
411110	Prov for Def Income Tax US Cre	Active
411120	Prov for Def Income Tax IL Cre	Active
411400	Investment Tax Credit Adjustmn	Active
415100	Jobbing Revenue	Active
415200	Merchandise Sales Reveune	Active
416100	Jobbing Expense JOBO	Active
416200	Merchandise Inventory Expense	Active
416300	Contract Work Expense	Active
418000	NonOperating Rental Income	Active
418100	Equity in Earnings of Sub-USDI	Active
418200	Equity in Earnings of Sub-USSI	Active
419000	Dividend Income	Active
419100	Interest Income-Money Mkt Acct	Active
419200	Interest Income-PGA Ref Due Cu	Active
419300	Interest Income-Tax Refunds	Active
419400	Interest Income-Mdse AR	Active
419500	Interest Income-Affiliates	Active
419900	Interest Income-Miscellaneous	Active
421000	Misc Nonoperating Income	Active
421100	Gain on Disposition of Proppty	Active

Illinois Gas Company
Chart Of Accounts - Short Form (GLCHTA01)
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Account Number	Description	Status
421200	Loss on Disposition of Proprty	Active
426310	Penalties-US Tax Payment	Active
426320	Penalties-IL Tax Payment	Active
426321	Penalties-IL Tax Pymt Prior Pr	Active
427100	Interest on LT Debt-FC Mortgag	Active
427200	Interest on LT Debt-FC Revolv	Active
428100	Amort of Debt Expense-FC Mortg	Active
428200	Amort of Debt Expense-FC Revol	Active
431110	Othr Interst Exp-ST Integra Ba	Active
431120	Othr Interst Exp-ST First Comm	Active
431130	Othr Interst Exp-ST Heritage N	Active
431140	Othr Interst Exp-ST Old Natl	Active
431150	Othr Interst Exp-ST FNB Olney	Active
431160	Othr Interst Exp-ST TrustBank	Active
431162	Othr Interst Exp-ST Peoples	Active
431164	Othr Interst Exp-ST Casey Stat	Active
431170	Othr Interst Exp-Customer Depo	Active
431180	Othr Interst Exp-Taxes	Active
431190	Othr Interst Exp-PGA Refunds	Active
431210	Othr Interst Exp-Texas Gas	Active
431900	Othr Interst Exp-Other	Active
433000	Balance Trasferred From Incom	Active
438000	Dividends Declared-Common Stoc	Active
480111	Distrib Charge-R1 Res Heat	Active
480112	Distrib Charge-R1 Res Non Heat	Active
480121	Facilities Charge-R1 Res Heat	Active
480122	Facilities Charge-R1 Res Non H	Active
481111	Distrib Chg-R2 Sm Comm Heat	Active
481112	Distrib Chg-R2 Sm Comm Non Hea	Active
481113	Distrib Chg-R2 Sm Indust	Active
481121	Facilities Chg-R2 Sm Comm Heat	Active
481122	Facilities Chg-R2 Sm Comm Non	Active
481123	Facilities Chg-R2 Sm Indust	Active
481521	Distrib Chg-R3 Med Comm Heat	Active
481522	Distrib Chg-R3 Med Comm Non He	Active
481523	Distrib Chg-R3 Med Indust	Active
481524	Facilities Chg-R3 Med Comm Hea	Active
481525	Facilities Chg-R3 Med Comm Non	Active
481526	Facilities Chg-R3 Med Indust	Active
481531	Distrib Chg-R4 Lg Comm Heat	Active
481532	Distrib Chg-R4 Lg Comm NonHeat	Active
481533	Distrib Chg-R4 Lg Indust	Active
481534	Facilities Chg-R4 Lg Comm Heat	Active
481535	Facilites Chg-R4 Lg Comm NonHe	Active
481536	Facilities Chg-R4 Lg Indust	Active
481541	Distrib Chg-R5 Seasonal	Active
481542	Facilities Chg-R5 Seasonal	Active
481551	Distrib Chg-R6 Interruptible C	Active
481552	Distrib Chg-R6 Interruptible I	Active
481553	Facilities Chg-R6 Interruptibl	Active
481554	Facilities Chg-R6 Interruptibl	Active
487111	Forfeited Discnts-R1 Res Heat	Active
487112	Forfeited Discnts-R1 Res Non H	Active

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Account Number	Description	Status
487211	Forfeited Discnts-R2 Sm Com He	Active
487212	Forfeited Discnts-R2 Sm Com No	Active
487213	Forfeited Discnts-R2 Sm Indust	Active
487511	Forfeited Discnts-R3 Med Com H	Active
487512	Forfeited Discnts-R3 Med Com N	Active
487513	Forfeited Discnts-R3 Med Indus	Active
487611	Forfeited Discnts-R4 Lg Com He	Active
487612	Forfeited Discnts-R4 Lg Com No	Active
487613	Forfeited Discnts-R4 Lg Indust	Active
487711	Forfeited Discnts-R5 Seasonal	Active
488100	Misc Rev-NSF Check Charges	Active
488200	Misc Rev-Reconnection Fees	Active
488300	Misc Rev-Voluntary Disconnect	Active
488400	Misc Rev-Gas Loss Chg Customer	Active
488410	Misc Rev-Gas Loss Chg Distribu	Active
488420	Misc Rev-Gas Loss Chg PGA	Active
488430	Misc Rev-Gas Loss Chg Gross Re	Active
488440	Misc Rev-Gas Loss Chg Public U	Active
488500	Misc Rev-Contract Line Spottin	Active
489111	Distrib Chg-RA Int Transport	Active
489121	Facilities Chg-RA Int Transpor	Active
489131	RA Int Transport TS Charge	Active
489141	RA Standby Reservation Charge	Active
495111	PGA-R1 Res Heat	Active
495112	PGA-R1 Res Non Heat	Active
495131	PGA-R2 Sm Comm Heat	Active
495132	PGA-R2 Sm Comm Non Heat	Active
495133	PGA-R2 Sm Industrial	Active
495171	PGA-R3 Med Comm Heat	Active
495172	PGA-R3 Med Comm Non Heat	Active
495173	PGA-R3 Med Industrial	Active
495181	PGA-R4 Lg Comm Heating	Active
495182	PGA-R4 Lg Comm Non Heating	Active
495183	PGA-R4 Lg Industrial	Active
495185	PGA-R5 Seasonal	Active
495188	PGA-R6 Interruptible Comm	Active
495189	PGA-R6 Interruptible Ind	Active
495190	PGA-Franchise	Active
495191	RA PGA Revenue	Active
495211	Gross Rcpts Tax-R1 Res Heat	Active
495212	Gross Rcpts Tax-R1 Res Non Hea	Active
495231	Gross Rcpts Tax-R2 Sm Comm Hea	Active
495232	Gross Rcpts Tax-R2 Sm Comm Non	Active
495233	Gross Rcpts Tax-R2 Sm Industri	Active
495261	Gross Rcpts Tax-RA Int Transpo	Active
495262	Gross Rcpts Tax-RA Int Sales	Active
495271	Gross Rcpts Tax-R3 Med Com Hea	Active
495272	Gross Rcpts Tax-R3 Med Com Non	Active
495273	Gross Rcpts Tax-R3 Med Industr	Active
495281	Gross Rcpts Tax-R4 Lg Comm Hea	Active
495282	Gross Rcpts Tax-R4 Lg Comm Non	Active
495283	Gross Rcpts Tax-R4 Lg Industri	Active
495291	Gross Rcpts Tax-R5 Seasonal	Active

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Account Number	Description	Status
495292	Gross Rcpts Tax-R6 Interr Comm	Active
495293	Gross Rcpts Tax-R6 Interr Ind	Active
495294	Gross Rcpts Tax-Franchise	Active
495311	Public Utility Tx-R1 Res Heat	Active
495312	Public Utility Tx-R1 Res NonHe	Active
495331	Public Utility Tx-R2 Sm Comm H	Active
495332	Public Utility Tx-R2 Sm Comm N	Active
495333	Public Utility Tx-R2 Sm Indust	Active
495361	Public Utility Tx-RA Int Trans	Active
495362	Public Utility Tx-RA Int Sales	Active
495371	Public Utility Tx-R3 Med Comm	Active
495372	Public Utility Tx-R3 Med Com N	Active
495373	Public Utility Tx-R3 Med Indus	Active
495381	Public Utility Tx-R4 Lg Comm H	Active
495382	Public Utility Tx-R4 Lg Comm N	Active
495383	Public Utility Tx-R4 Lg Indust	Active
495391	Public Utility Tx-R5 Seasonal	Active
495392	Public Utility Tx-R6 Interr Co	Active
495393	Public Utility Tx-R6 Interr In	Active
495394	Public Utility Tx-Franchise	Active
600100	M/S Inventory Receipts Clearin	Active
600142	OE/AR Receivable Control Clear	Active
607110	JC/PR Labor Clearing-Union	Active
607112	JC/PR Labor Clearing-Confidntl	Active
607121	JC/AP Purchases Clearing	Active
607122	JC/IC Material Clearing	Active
607900	JC Fixed Asset Clearing	Active
804100	Nat Gas Purch-Texas Gas Demand	Active
804200	Nat Gas Purch-Commodity Charge	Active
804300	Nat Gas Purch-Management Fee	Active
804400	Nat Gas Purch-Release Capacity	Active
805100	Other Gas Purch-Cost Adjustmen	Active
805200	Other Gas Purch-RA Cashout Cre	Active
805900	Other Gas Purch-Refunds	Active
806100	Exchange Gas-Texas Gas Storage	Active
806105	Exchange Gas-TG Storag PriorY	Active
812000	Gas Used for Other Utility Ope	Active
870100	Oper Suprvsn/Enginrg MAPS/FMAN	Active
874100	Main/Service Expense LINE	Active
875100	Meas/Reg Stn Exp Gnl IGMR	Active
876100	Meas/Reg Stn Exp Ind OMET	Active
878100	Meter/House Reg Exp RMET	Active
879100	Customer Installations Exp C	Active
881000	Distribution Rents	Active
887100	Maintenance of Mains MAIN	Active
889100	Maint Meas/Reg Stn Eqp Gnl DRE	Active
890100	Maint Meas/Reg Stn Eqp Ind CIM	Active
892100	Maint of Services SERV	Active
893100	Maint Meters/House Reg METR	Active
902100	Meter Reading Exp READ/CCHT	Active
902200	Meter Reading Exp ITRON Main	Active
903100	Cust Record/Collect Exp NPAY	Active
903112	Cust Record/Collect Exp OFFC	Active

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Account Number	Description	Status
903200	Cust Record/Collect Exp-Materi	Active
903400	Cust Record/Collect Exp-Postag	Active
903510	Cust Record/Collect Exp-Cr Agn	Active
903520	Cust Record/Collect Exp-Bank F	Active
903700	Cust Record/Collect Exp-UBIS M	Active
903800	Cust Record/Collect Exp-Temp A	Active
904100	Uncollectible Accounts-Gas	Active
904200	Uncollectible Accounts-Merchan	Active
913100	Advertising Exp-General Promo	Active
913300	Appliance Promotion Expense	Active
914100	Gas Light/Grill/AC Job Revenue	Active
914200	Gas Light/Grill/AC Merch Reven	Active
914300	Fireplace Merchandise Reveune	Active
914400	Space Heaters Merchandise Rev	Active
915100	COGS-Gas Light/Grill/AC GLAG	Active
915200	COGS-Gas Light/Grill/AC Inven	Active
915300	COGS-Fireplace	Active
915350	COGS-Fireplace Inventory	Active
915400	COGS-Space Heater Inventory	Active
920110	Operating Officer Salary OPOF	Active
920115	General Officer Salary GOFF	Active
920120	Operatons Mgt Salary OPER	Active
920125	Goal Incentive Plan	Active
920130	Accounting Salary ACCT	Active
920135	Gas Supply Mgt Salary GASM	Active
920140	Office Management Salary OFFM	Active
921110	Office Supplies	Active
921120	Subscriptions	Active
921200	Officers Travel Expense	Active
921210	Officers Meal Expense	Active
921220	Managers Travel Expense	Active
921230	Managers Meal Expense	Active
921240	Other Travel Expense	Active
921250	Other Meal Expense	Active
921400	Postage Expense	Active
921500	Office Equip Maint,Repair,Rent	Active
921600	Computer Software Maintenance	Active
921610	Computer Supplies	Active
921700	Bank Service Fees/Charges	Active
922110	Admin Exp Trfrd-Fringe Benefit	Active
922120	Admin Exp Trfrd-Fringes NonUni	Active
922130	Admin Exp Trfrd-Superv/Transpo	Active
922140	Admin Exp Trfrd-S/TA NonUnion	Active
922200	Admin Exp Trfrd-IL Real Estate	Active
922300	Admin Exp Trfrd-USDI	Active
922400	Admin Exp Trfrd-USSI	Active
922500	Admin Exp Trfrd-WCEI	Active
923100	Outside Service-Accounting	Active
923200	Outside Service-Legal	Active
923300	Outside Service-Engineering	Active
923400	Outside Service-Management	Active
923500	Outside Service-Computer Consu	Active
923600	Outside Service-Marketing	Active

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Account Number	Description	Status
923900	Outside Service-Other	Active
924100	Property Insurance-Multi Peril	Active
924200	Property Insurance-Bonds	Active
925110	Injuries/Damages-WC Supplmnt U	Active
925120	Injuries/Damages-WC Insurance	Active
925130	Injuries/Damages-WC Direct Pym	Active
925200	Injuries/Damages-Liability Ins	Active
925300	Injuries/Damages-Uninsured Los	Active
925400	Injuries/Damages-Safety Equip/	Active
926110	Employee Benefits-Vacation Unio	Active
926116	Employee Benefits-Lunch Allow U	Active
926117	Employee Benefits-Public Servic	Active
926120	Employee Benefits-Holiday	Active
926130	Employee Benefits-Sick	Active
926140	Employee Benefits-Personal Lv	Active
926150	Employee Benefits-Phone Reimb	Active
926160	Employee Benefits-Funeral Lv	Active
926170	Employee Benefits-DOT Phys/CDL	Active
926180	Employee Benefits-Drug Tstng	Active
926260	Employee Benefits-Funeral Lv Of	Active
926270	Employee Benefits-Jury Duty	Active
926280	Employee Benefits-Personal Day	Active
926300	Employee Benefits-Pension Admin	Active
926310	Employee Benefits-Def Ben Pens	Active
926320	Employee Benefits-OPEB Expense	Active
926400	Emplyee Bnfts-410k Contrib ILG	Active
926510	Employee Bnfts-Group Med ILGas	Active
926520	Employee Bnfts-Group Life ILGa	Active
926530	Employee Bnfts-Group LTD ILGas	Active
926540	Employee Bnfts-Group Dntl ILGa	Active
926550	Employee Bnfts-WCE Health Ins	Active
926610	Employee Benefits-Empl Eductn U	Active
926620	Employee Benefits-Empl Eductn	Active
926630	Employee Benefits-Spcl Recreati	Active
926640	Employee Benefits-Supplies	Active
926650	Employee Benefits-Uniforms	Active
926660	Employee Benefits-Logo Items	Active
926670	Employee Benefits-Gloves	Active
926680	Employee Benefits-Empl Gas Disc	Active
926700	Employee Benefits-Other	Active
927000	Franchise Requirements	Active
928100	Regulatory Comm Exp-Accounting	Active
928150	Regulatory Comm Exp-Legal	Active
928200	Regulatory Comm Exp-Engineerin	Active
928250	Regulatory Comm Exp-Supplies	Active
928300	Regulatory Comm Exp-Travel	Active
928400	Regult Comm Exp-Rate Case Amor	Active
928450	Regulatory Comm Exp-Drug Tstng	Active
928500	Regulatory Comm Exp-Op Qualif	Active
928550	Regulatory Comm Exp-Meals	Active
930110	General Advertising Expense	Active
930120	General Adv Exp-Telephone Dir	Active
930205	Misc General Exp-Association D	Active

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Account Number	Description	Status
930210	Misc General Exp-Directors Mee	Active
930215	Misc General Exp-Directors Fee	Active
930217	Misc General Exp-Profit Sharin	Active
930220	Misc General Exp-Donations	Active
930225	Misc General Exp-Stockholders	Active
930230	Misc General Exp-Other	Active
930240	Misc General Exp-Gas	Active
930242	Misc General Exp-Electric	Active
930244	Misc General Exp-Water/Sewer	Active
930248	Misc General Exp-Internet Serv	Active
930250	Misc General Exp-Telephone	Active
930252	Misc General Exp-Answering Srv	Active
930254	Misc General Exp-Radio Service	Active
930256	Misc General Exp-JULIE	Active
930258	Misc General Exp-Cellular Tele	Active
930271	Misc General Exp-Purchase Dsct	Active
931000	Rent	Active
932110	Maintenance-Vehicles Txxx	Active
932120	Maintenance-Vehicle License Tx	Active
932130	Maintenance-Vehicle Ins Txxx	Active
932140	Maintenance-Power Equip Uxxx	Active
932150	Maintenance-Power Equip Lic Ux	Active
932160	Maintenance-Power Equip Ins Ux	Active
932170	Maintenance-Welding Supplies	Active
932180	Maintenance-Small Power Tools	Active
932190	Maintenance-Small Hand Tools	Active
932200	Maintenance-Consumable Supplie	Active
932210	Maintenance-Other	Active
932510	Maintenance-Building BLDG	Active
932520	Maintenance-Building JTOR	Active
932610	Maintenance-Inv/Stock INVT	Active
932620	Maintenance-Phy Inv Adjustment	Active
933370	Trans Exp Reimbursement	Active

ILLINOIS GAS COMPANY**ICC DOCKET 04-xxxx
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Lori A. Uhl, Assistant Treasurer & Comptroller
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- e) **Summary of the depreciation study supporting the rates used to calculate depreciation expense reflected on Schedule C-1. If no depreciation study exists, provide an explanation of the depreciation rates.**

Illinois Gas does not have a formal depreciation study.

We utilize a fixed asset program, Asset Keeper, that calculates Book (straight line), Federal (MACRS/ACRS) and AMT depreciation books utilizing the following asset lives:

<u>Description</u>	<u>Book</u>	<u>Tax</u>
Utility Plant	33 yrs	20 yrs
Transportation Equip	5 yrs	5 yrs
Power Operated Equip	7 yrs	7 yrs
Computer Equip	3 yrs	5 yrs
Office Furniture	10yrs	7yrs
Office Equip	5yrs	5yrs
Communication Equip	5 yrs	7 yrs
Tools, Shop, Garage Equip	7/10 yrs	7 yrs